

ONESOURCE JOINT COMMITTEE

28th July 2023

Subject heading:

oneSource Finance Update

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Financial summary:

The OneSource 22/23 outturn position was an overspend of £3.5m (against a period 11 forecast of £4.4m). The 23/24 net budget currently stands at £36.4m. The 23/24 P2 forecast is £5.2m overspend.

2

SUMMARY

The 22/23 year end outturn position across the shared and non-shared areas was £3.5m (an improvement of £0.9m on the period 11 forecast of £4.4m overspend). As part of 23/24 budget setting £0.388m of savings were removed from the oneSource budgets and £5.217m of growth was allocated. The 2023/24 period 2 forecasted overspend is £5.2m

RECOMMENDATIONS

The joint committee are asked to note:

- the 2022/23 outturn position and its improvement from period 11;
- the updated 2023/24 budget;
- 2023/24 period 2 forecast;

REPORT DETAIL

1. Background

oneSource shared areas are funded by Havering and Newham Councils in order to deliver shared back office support services. OneSource is also currently responsible for the

management of non-shared areas within each council, including the delivery of commercial property income generation, elections, procurement savings and schools education and ICT capital programmes. It is noted that many of these areas subject to a reconfiguration process aimed at returning certain services to the control of their sovereign authorities. However, the content of this report pre-dates the aforementioned process and so its impact is not reflected in the figures contained within.

Each council reports its own share of the oneSource position through its own monitoring, budget setting and outturn reporting, however, it is also presented here in a combined presentation for the benefit of Joint Committee.

The budget spend and outturn figures include controllable budgets only ie those which the service managers directly influence and control through delivery of their services. The non-controllable element, which have been excluded, largely relate to corporate recharges and do not result in any variances (overspend or underspends) at year end as the expenditure incurred is matched by the necessary budget.

2. 2022/23 Outturn

Shared

2.1 oneSource shared ended 2022/23 with an overspend of £2.7m against budget which is an improvement of £0.9m on the period 11 position of £3.6m. The final overspend was shared £1.7m to the London Borough of Havering and £1m to the London Borough of Newham. Note these figures are inclusive of £0.7m of one-off Newham reserve funding within the enforcement area of which 100% of the benefit was attributed to Newham via the cost sharing model.

2.2 The majority of the improvement between period 11 and outturn reflects previously un-forecasted funding within the Havering council tax and benefits service, much of which was received towards the end of the financial year.

2.3 The outturn overspend is due in part to unmet savings targets and cost pressures within ICT and in part due to a shortfall of enforcement income against targets.

Newham non-shared

2.4 Newham non-shared closed 2022/23 with an underspend of (£0.2m) which was broadly in line with the forecasted underspend of (£0.3m) reported at period 11.

2.5 The overall directorate underspend of (£0.3m) is a net position reflecting a number of larger variances at service level. These include:

- an underspend of (£0.6m) in relation to a revenue budget recently created to fund council-wide devices; the cost of lap tops was charged to capital for 2022/23 on a one-off/one-year only basis to help offset revenue pressures in other areas
- an overspend of £0.8m in relation to payment acquirer charges; an overspend of this size will not be repeated in 2023/24 owing to the combination of £0.1m growth provided in the 2023/24 budget and significant cost reductions as a result of a newly procured contract due to take effect in the first quarter of the new financial year
- non-delivery of savings targets of £0.3m within legal budgets; coding has been set up within the ledger to help identify spend which hasn't been commissioned via the Director of Legal services with a view to analysing such spend to ensure value for money

- an underspend of (£0.9m) within Asset Management reflecting a reduction in security costs relating to a small number of council owned sites, the recent letting of additional floor space on the east wing of Dockside and deferral of corporate landlord spend into next financial year

Note that this position is net of one-off funding of £3.53m re procurement savings write off, of which £3.230 was funded permanently as part of 2023/24 budget setting (see below).

Havering non-shared

2.6 Havering non-shared closed 2023/24 with an overspend of £0.7m. This is an improvement of (£0.3m) on the period 11 forecast of £1m. The favourable swing between period 11 forecast and outturn was due in the main to the provision of one-off funding for the ICT evergreening revenue spend which was assumed unfunded at the time of the period 11 forecast.

2.7 The Havering non-shared overspend relates to a shortfall of commercial property income against target, slippage on the Mercury House decant saving and an overspend on the corporate landlord budget. It is hoped the commercial property income pressures will resolve upon greater certainty over the Hilldene regeneration area and that the corporate landlord pressures will be eased in 2023/24 as a result of the inclusion of capital funding within the budget.

3. 23/24 Budget Setting

Shared

3.1 In the main, the joint decision was taken by the two authorities not to apply savings to the shared budgets as part of 2023/24 budget setting process. This in part was in light of the decision to remove a number of services from the oneSource sharing arrangement and return them to sovereign control. As part of that process, for each service returning, an organisational change report will be undertaken which will provide each borough with the opportunity to revisit the service offer and structure in detail. Each service has been tasked with designing post-split structures which are containable within existing budgetary parameters, however, should any resulting budgetary implications arise from each of these reviews, they will be picked up as part of each business case and where necessary factored into 2024/25 budget setting processes (in the case of Newham) or met from growth provided within the 2023/24 budget to fund costs associated with the split in the case of Havering. That being said, a small saving was applied to the Business Services area where a known reduction in SMR post was assured.

3.2 A number of jointly agreed growth items were also provided including most notably for Microsoft Enterprise licences which had been previously met by one-off funding in 2022/23. It was jointly agreed that neither borough would allocate inflation growth to the 23/24 shared budgets.

The table below summarises 2023/24 savings and growth entries:

	Newham	Havering	Total
Microsoft Enterprise Licences	£400k	£400k	£800k
SMR Post	(£44k)	(£44k)	(£88k)
Systems Team TOM*	£134k	£267k	£401k
Payroll SME & Manager	£48k	£48k	£96k
Total	£538k	£671k	£1,209k

*Havering's larger share of the growth represents a re-balancing of previous underfunding in 2022/23

The table below summarises the movements from the closing 2022/23 budget to the opening 2023/24 budget:

Council	LBH	LBN	LBH	LBN	LBH	LBN	LBH	LBN	LBH	LBN	LBH	LBN
Item	2022/23 close		NI Adjustment		Remove one-off		Growth		Savings		2023/24 Open	
£m	12.19	14.25	-0.04	-0.11	-1.09	-1.12	0.70	0.60	-0.04	-0.04	11.72	13.58

Non-shared

Newham

The table below summarises the movements from the closing 2022/23 budget to the opening 2023/24 budget:

Item	2022/23 budget at P10	Removal of one-off funding	Savings	Growth	Opening 23/24 budget
£m	7.57	(3.53)	(0.23)	3.63	7.44

The table below summarises 2023/24 savings and growth entries:

	Growth		Savings
Inflation allocation	0.27	Election costs	(0.15)
Payment acquire costs	0.10	SMR grade	(0.08)
Civica pay licences	0.01		
Business rate maximisation	0.02		
Procurement saving write off	3.230		
Total	3.63		(0.23)

Havering

The table below summarises the movements from the closing 2022/23 budget to the opening 2023/24 budget:

Item	2022/23 budget at P10	Removal of one-off funding	Savings	Growth	Opening 23/24 budget
£m	3.48		-0.07	0.29	3.7

The table below summarises 2023/24 savings and growth entries:

	Growth		Savings
MFD print recharge target	0.20	Voluntary Redundancy	(0.07)
Trade Union Facility	0.09		
Total	0.29		(0.07)

3.3 Note that as the year progresses it is likely that further budget adjustments will be made (ie reserve funding drawdowns, pension cost adjustments, 2023/24 pay award etc).

4. 2023/24 Period 2 Forecast

Shared

4.1 The projected overspend at period 2 is £4m which is split £1.8m and £2.2m to London Borough of Newham and Havering respectively through the cost sharing model. Much of this projected overspend resides within those areas which are not coming out of the sharing partnership over the course of 2023/24.

4.2 Of the £4m overspend, £2m relates to pressures with the ICT budgets as a result of a combination of unmet savings targets (£1.1m) and increases in costs within non-staffing budgets. ICT is due to exit the oneSource sharing arrangement albeit due to the complexities involved it is working to a slightly longer timescale. Responsibility for ICT is transitioning to the Chief Digital Officer at Newham and Director of Resources at Havering.

4.3 Exchequer and transactional are forecasting a pressure of £1.4m which pertains in the main to enforcement income shortfalls against target. This year additional income is expected due to the service having secured a number of new contracts, however, the impact of these won't take effect until the latter part of the financial year.

Havering non-shared

4.4 The majority of the £0.4m forecasted overspend being projected at period 2 relates to Asset Management and is as a result of forecasted shortfalls against target in relation to commercial property (including Romford Market) and slippage on the Mercury House decant saving.

Newham non-shared

4.5 Of the forecasted £0.7m overspend, £0.3m is a projected shortfall against the remaining procurement saving target and £0.3m is in relation to the external legal services saving target. As and when savings are identified the forecast will be amended accordingly. The remaining £0.1m reflects slippage on the start date of the new procurement payment acquire contract.

Legal implications and risks:

There are no legal implications arising directly out of this report or its recommendations.

Financial Implications and risks:

There are no financial implications resulting directly from the recommendations set out in this report, however, the report itself makes reference to the 2022/23 outturn overspend and projected 2023/24 overspend of the oneSource budgets which is in itself of financial significance to both Councils.

HR Implications and risks:

There are no HR implications arising directly out of this report or its recommendations.

Background Papers